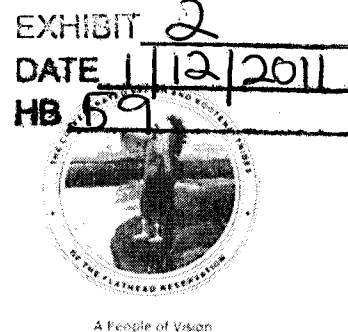


A Confederation of the Salish,
Upper Pend d'Oreilles
and Kootenai Tribes

THE CONFEDERATED SALISH AND KOOTENAI TRIBES
OF THE FLATHEAD NATION

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TRIBAL COUNCIL MEMBERS:
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James Steele Jr.

January 12, 2011

Honorable Harry Klock, Chairman
House Federal Relations, Energy and Telecommunications Committee
Montana Legislature

Re: Statement of Support for House Bill 59
Revise renewable portfolio standard to include hydropower expansions

Dear Chairman Klock and members of the committee:

The Confederated Salish and Kootenai Tribes ("Tribes") have studied HB 59 generally with regard to its impacts on the economy of the Flathead Indian Reservation and specifically with regard to its impacts on the Kerr Hydroelectric Project. After having considered the Bill, the economic needs of the region generally, and the economic needs of the Tribes specifically, the Tribes submit this letter for the purposes of stating our support for HB 59 and urging you to advance the Bill through committee without delay.

The Flathead Reservation is the Tribes' treaty-reserved homeland. It includes a reach of the Flathead River that is a natural resource of great importance to Tribal people. It is a place where our ancestors traveled, camped, gathered foods and medicines, prayed, hunted, and fished. Present day Tribal people still use this place in the same ways. We do so as a way of life and as a legacy. We are adapting our way of life, however, to changing times. In particular we are adapting the ways we use the River for our economic needs.

In 1985, the Tribes entered into a settlement agreement with the Montana Power Company before the Federal Energy Regulatory Commission ("FERC") for renewal of the FERC license for the Kerr Hydroelectric Project. The Project includes Flathead Reservation resources within its boundary, including portions of Flathead Lake and the Flathead River. In the settlement agreement (and license), the Tribes agreed to allow the Montana Power Company to own and operate the Kerr Project for the first thirty years of the 50-year license term. In return the Montana Power Company agreed to allow the Tribes to acquire the Project, in its entirety, and then own and operate it for the final 20-years of the license term. The FERC affirmed this arrangement by renewing the Kerr Project license with terms that expressly provided for transfer of the Project from Montana Power Company to the Tribes. Montana Power Company's rights

and responsibilities for the Kerr Project have subsequently been acquired by PPL Montana. Now, we are preparing to acquire the Project at our earliest opportunity on September 5, 2015. Accordingly, we are in the process of forming a Tribal utility with the intention of operating the Kerr Project to generate electricity for sale on the open market.

The Kerr Powerhouse has three generating units. PPL Montana recently replaced the turbine wheel in Unit No. 3 and placed the upgraded Unit into service on March 27, 2007. The upgrade is anticipated to improve efficiency at the Project by 3.31%, producing 35,519,000 annual kilowatt hours of additional incremental generation as a result. The Tribes strongly support revising the definitions of the terms "eligible renewable resource" and "renewable energy credit" within MCA § 69-3-2003 so those definitions will include the additional electricity generated as a result of this upgrade. Enacting HB 59 will preserve and create significant economic benefits for the Tribes, as a Montana business, in the future.

It is too early for the Tribes to have fully developed agreements for sale of electricity for 2015 and beyond. Even so, the Tribal Council has directed its staff to approach potential brokers and potential purchasers to begin exploring options for power sales contracts. The Tribes anticipate they will develop a variety of long-term and short-term power products for Kerr Project output. In developing these products, the Tribal Council has further directed its staff to seek to serve local and regional needs in order to facilitate local and regional economic development and foster business relationships between the Tribes and regional interests. Accordingly, it is likely that the Tribes will look to enter into long-term contracts for sale of electricity with in-state utilities. Correspondingly, the renewable energy credits generated by the upgrade will then most likely accrue with these same utilities, assisting them with meeting renewable portfolio standards while simultaneously keeping monies used to purchase value-added renewable energy products in Montana. If, however, the local utilities do not need the renewable energy credit, then the Tribes could sever the credit from the electricity and sell the renewable energy credits on the open market likely resulting in money coming from out-of-state purchasers for the value-added product. In summary then, having these two products, increases the ability of the Tribes to maximize the benefits accruing in Western Montana by either: (1) serving local and regional needs for renewable energy; and/or (2) selling renewable energy credits that are not needed locally to out-of-state purchasers.

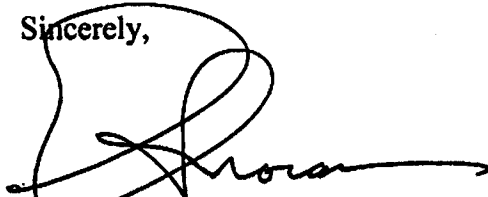
In addition to the economic benefits there are other technological, environmental, social, and legal benefits that will accrue to the owner of the Kerr Project if HB 59 is enacted, including:

- It will stimulate technological innovation: certification of renewable status for a portion of the Kerr Project will motivate the Tribes to seek further efficiency/upgrade at the Project in order to accrue added value for electrical output;
- It will stimulate efficient long-term continued use of existing infrastructure: greater economic recovery from the Kerr Project will motivate the Tribes to plan on utilizing this pre-existing facility as long as possible;
- It will avoid and minimize environmental impacts: additional generation at the Kerr Project will yield output that will not be needed from new, less environmentally friendly sources;
- It will create new products and new jobs: "renewable" status for electricity generated at Kerr will create a new product in the form of "renewable energy credits" that the Tribes will market, requiring one or more employees to administer; and
- It will assist Montana utilities with meeting renewable portfolio standards: the Tribes want to

develop business relationships with local/regional utilities and, accordingly, will want to sell the renewable energy generated at Kerr to them.

The Tribes support HB 59 and ask the House Federal Relations, Energy and Telecommunications Committee to approve it and forward it to the Senate without delay. The Tribes trust that the Committee will give its recommendation due consideration and extend their thanks for the Committee's time, effort and attention regarding this issue. If you have any questions regarding this letter, please contact Joe Hovenkotter, Tribal Staff Attorney at (406)675-2700 ext. 1169.

Sincerely,

A handwritten signature in black ink, appearing to read "E.T. Bud Moran", with a long horizontal flourish extending to the right.

E.T. Bud Moran
Chairman
Tribal Council

cc: Hon. Keith Regier (V. Ch.)
Hon. Douglas Kary
Hon. Gary MacLaren
Hon. Jesse O'Hara
Hon. Derek Skees

Hon. Robyn Driscoll (V. Ch.)
Hon. James Knox
Hon. Mary McNally
Hon. Ken Peterson
Hon. Sterling Small

Hon. Carlie Boland
Hon. Austin Knudsen
Hon. Mike Menahan
Hon. Mike Philips
Hon. Wayne Stahl